

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SP-02 ICA-20 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 AGRE-00 DOE-15 SOE-02 INT-05 DODE-00
ITC-01 /126 W

-----110071 060103Z /61

R 050013Z AUG 78
FM AMEMBASSY TAIPEI
TO SECSTATE WASHDC 8471
INFO AMCONSUL HONG KONG
AMEMBASSY MANILA
USLO PEKING
AMEMBASSY SEOUL
AMEMBASSY TOKYO

UNCLAS TAIPEI 05170

E.O. 11652: N/A
TAGS: ECON, TW
SUBJ: KEY ECONOMIC INDICATORS FOR JUNE, 1978 - PART II

REF: TAIPEI 4071

CHEMICAL FERTILIZERS (1,000 MT):
127.9 122.2) 90.2 4.66 41.21 708.0 705.9 0.30

CEMENT (1,000 MT):
897.2 957.3) 754.7 -6.28 18.88 5,445.1 4,893.4 11.27

STEEL BARS AND STRUCTURALS (1,000 MT):
217.6 226.1) 113.2 -3.76 92.23 1,193.3 686.4 74.01

AUTO TIRES (1,000 PCS):
102 108) 86 -5.56 18.60 638 485 31.55

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CRUDE OIL REFINED (1,000 KL):
1,484.1 1,444.9 1,328.1 2.71 11.75 8,459.2 7,764.5 8.95

TELEVISION (1,000 UNIT):
560.7 569.5) 412.4 -1.55 35.96 3,367.7 2,077.0 62.14

3. ECONOMIC TRENDS IN THE REPUBLIC OF CHINA, JUNE, 1978

(1) THE ECONOMIC RESURGENCE WHICH BEGAN IN LATE 1977 CONTINUED THROUGH JUNE OF 1978, AS TRADE AND INDUSTRIAL PRODUCTION CONTINUED TO EXPAND. EXPORTS IN JUNE TOTALLED U.S. DOLS 1.1 BILLION, SECOND HIGHEST IN HISTORY, WHILE IMPORTS REACHED A RECORD HIGH OF U.S. DOLS 922 MILLION. EXPORTS FOR THE FIRST SIX MONTHS OF 1978 (U.S. DOLS 5.6 BILLION) WERE 34.3 PERCENT HIGHER THAN IN THE FIRST HALF OF 1977, WHILE IMPORTS (U.S. DOLS 4.9 BILLION) WERE UP 22 PERCENT, PUTTING THE ROC GOVERNMENT'S 1978 TRADE TARGET OF U.S. DOLS 20.8 BILLION WELL WITHIN REACH. TAIWAN'S TRADE SURPLUS WITH THE U.S. REACHED U.S. DOLS 1.186 BILLION FOR THE FIRST HALF OF 1978, ALMOST TWICE THE TOTAL FOR THE SAME PERIOD LAST YEAR. THE INDUSTRIAL PRODUCTION INDEX FOR THE PERIOD FROM JANUARY THROUGH JUNE ROSE 21.3 PERCENT, COMPARED WITH A 12.1 PERCENT GROWTH RATE IN THE FIRST SIX MONTHS OF 1977.

(2) WHOLESALE AND RETAIL PRICE INDICES WERE STABLE IN JUNE BUT REGISTERED INCREASES OF 2.0 PERCENT AND 6.6 PERCENT, RESPECTIVELY, FOR THE FIRST HALF OF THE YEAR, COMPARED WITH THE SAME PERIOD LAST YEAR. THE GROWTH IN TRADE AND INDUSTRIAL PRODUCTION EXACERBATED THE EXISTING LABOR SHORTAGE, RESULTING IN A 14 PERCENT RISE IN WAGES IN THE MANUFACTURING SECTOR FOR THE JANUARY-JUNE PERIOD. TO COPE WITH THE INFLATIONARY PRESSURES RESULTING FROM RISING UNCLASSIFIED

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IMPORT COSTS, HIGHER DOMESTIC WAGES, AND INCREASED INFLOWS OF FOREIGN CURRENCY (FOR EXCHANGE INTO N.T. DOLS), THE ROC GOVERNMENT ON JULY 11 REVALUED ITS CURRENCY TO N.T. DOLS 36 EQUALS U.S. DOLS 1, AND ANNOUNCED THAT TAIWAN WOULD MOVE TOWARDS A FLOATING EXCHANGE RATE SYSTEM, AFTER THE ESLS PQLLDFZT OF A U.S. DOLLAR FORWARD MARKET.

(3) ALTHOUGH IT IS NOT LIKELY THAT THE RELATIVELY SMALL REVALUATION WILL SIGNIFICANTLY AFFECT THE ROC'S TRADE SURPLUS, THE GOVERNMENT HAS PUT TRADERS ON NOTICE THAT THE EXCHANGE RATE COULD BE ADJUSTED AGAIN IN THE COMING MONTHS. TAIWAN'S EXPORTS SHOULD CONTINUE TO BE COMPETITIVE IN OVERSEAS MARKETS, SINCE THE 5.26 PERCENT REVALUATION OF THE N.T. DOLLAR IS SMALL IN COMPARISON WITH THE 50 PERCENT APPRECIATION IN THE JAPANESE YEN IN THE PAST 18 MONTHS, RELATIVE TO THE U.S. (AND THE NEW TAIWAN) DOLLAR. EXPORT PRICES ARE ALSO RISING IN THE REPUBLIC OF KOREA AND HONG KONG, TAIWAN'S LEADING COMPETITORS. IMPORTS TO TAIWAN SHOULD SHOW A SLIGHTLY HIGHER RATE OF INCREASE, DUE BOTH TO THE REVALUATION AND TO GOVERNMENT MEASURES WHICH LOWER TARIFF RATES SLIGHTLY ON

OVER 900 ITEMS AND REPEAL CERTAIN IMPORT RESTRICTIONS.
NEVERTHELESS, BARRING A SECOND AND MORE SUBSTANTIAL RE-
VALUATION, THE ROC SHOULD HAVE A TRADE SURPLUS EXCEEDING
U.S. DOLS 1.5 BILLION, AND PERHAPS REACHING U.S. DOLS 2
BILLION, IN 1978. UNGER

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Disposition Approved on Date:
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Disposition Reason:
Disposition Remarks:
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